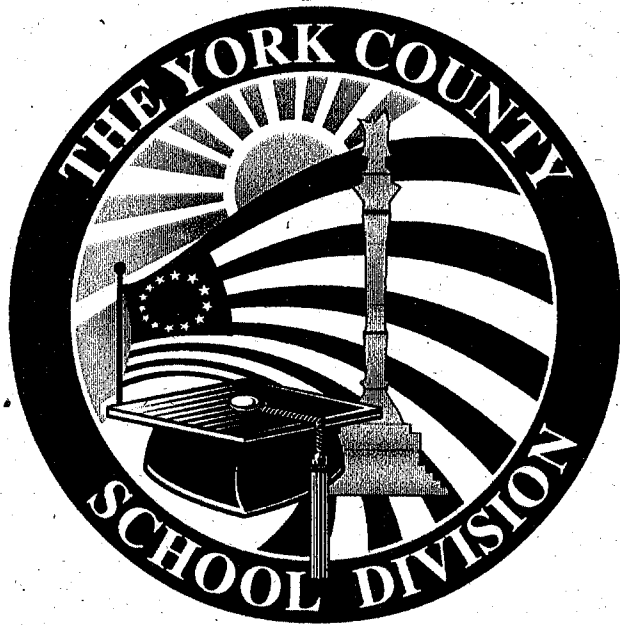


# Comprehensive Annual Financial Report



## The York County School Division

*County of York, Virginia*  
*(A Component Unit of the County of York, Virginia)*

*For the Fiscal Year  
Ended June 30, 2003*

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**The York County School Division**

**Component Unit of the County of York, Virginia**

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For the Fiscal Year Ended June 30, 2003

Prepared by the Department of Finance

Dennis R. Jarrett  
Chief Financial Officer

Karen L. Hendricks  
Senior Budget and Financial Analyst

**THE YORK COUNTY SCHOOL DIVISION  
COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
June 30, 2003**

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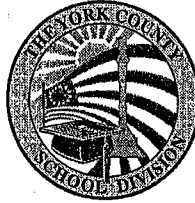
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# THE YORK COUNTY SCHOOL DIVISION



DIVISION  
SUPERINTENDENT  
*Steven R. Staples, Ed. D.*

## SCHOOL BOARD

*Don Felling*  
*District 1*  
*Barbara S. Haywood*  
*District 2*  
*Mark A. Medford*  
*District 3*  
*R. Page Minter*  
*District 4*  
*Barrent M. Henry*  
*District 5*

## YORK COUNTY, VIRGINIA

November 28, 2003

Citizens of York County and Honorable Members of the School Board of the County of York, Virginia:

The Comprehensive Annual Financial Report of the York County School Division (hereafter School Division), a component unit of the County of York, Virginia for the fiscal year ended June 30, 2003, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School Division. All disclosures necessary to enable the reader to gain an understanding of the School Division's financial activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The School Division's MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes this transmittal letter, an organizational chart and a list of principal officials. The financial section includes the MD&A, basic and fund financial statements, notes to the financial statements, required supplemental information (RSI) other than MD&A, as well as the independent auditor's report on the financial statements. The statistical section includes selected financial and demographic information, presented on a multi-year basis, where possible. The compliance section includes reports by the independent auditor on compliance and internal control.

The School Division is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and questioned costs, and auditor's reports, is included in the County of York's Comprehensive Annual Financial Report.

### The Reporting Entity and Organization

The School Division is responsible for elementary and secondary education within the County. The elected five member School Board, vested with legislative powers, appoints the Superintendent, the executive and administrative head of the public school division. The School Division is fiscally dependent (i.e., it does not have taxing, levying, or borrowing authority). It derives most of its funding from allocations from the County and the Commonwealth of Virginia. The County Board of Supervisors approves the School Division's operating budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of bonds when necessary. The Board of Supervisors is prohibited from exercising any control over specific appropriations within the operating budget of the School Division. However, the Board of Supervisors may exercise control in total by major categories (e.g., Instruction, Pupil Transportation) as prescribed by the Code of Virginia, as amended.

This report includes all funds of the School Division.

### Accounting System

In developing and evaluating the School Division's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the School Division's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial transactions. The accounting system is organized and operated on a function basis. Each function, relating to a specific area of operation, includes a report of appropriations, expenditures, encumbrances, and fund balances for each line item appropriate for that function.

### Budgetary Controls

The School Division maintains internal controls at a budgetary level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board and County Board of Supervisors. Activities of the General Fund and Special Revenue Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund.

## Economic Condition and Outlook

York County is located in the Atlantic Coast's "urban crescent" on the beautiful Virginia peninsula. Situated midway between Richmond and Virginia Beach, the county's residents help comprise one of the nation's largest metropolitan areas, commonly referred to as Hampton Roads. The area is fortunate to have an expanding commercial and industrial base, while also enjoying affordable and plentiful housing and a moderate cost of living. As members of the dynamic Hampton Roads community, York County citizens have at their fingertips a wide variety of personal, professional and leisure opportunities, including numerous colleges and universities, theme parks, historical areas and much more. During the year, population grew to more than 61,000 and both residential and commercial tax bases continued to expand. By the year 2005 school enrollment is expected to increase to 12,830 students, 646 more students than the fiscal year 2003 enrollment count.

## Major Initiatives

In 2002-03, the York County School Division began work on or implemented several new initiatives that will help continue the tradition of excellence in York County:

The York County School Division continues to meet the academic requirements of the state, to maintain its own tradition of excellence, and to provide a well-rounded approach to education. The Division has fine-tuned existing academic programs, added new courses to the Program of Studies, consistently correlated its curriculum with the State Standards of Learning (SOL), and provided professional development opportunities that expand the experience and expertise of the Division's instructional staff. Highlights of 2001-02 curriculum and professional development efforts include:

### ◆ Curriculum Development

The School Division's curriculum development effort is an ongoing process of development and review that emphasizes the Standards of Learning within a rich instructional program. Curriculum development provides descriptive and reliable guides for teachers and ensures that York County School Division students are taught in a manner that prepares them adequately for SOL tests. As new courses that broaden students' interests and guide them to meaningful and appropriate career paths are added to the *Program of Studies K-12*, curriculum is written for each of these courses. In addition, a comprehensive and user-friendly *Secondary Program of Studies Registration and Information Guide*, containing all middle and high school courses as well as general academic information, is published to assist students and their parents in planning secondary school course work. As part of the ongoing process of curriculum review, York River Academy Charter School was implemented in FY03 to provide an academic, social and career preparatory education in computer and web-based technology. The program serves students in the 9<sup>th</sup> and 10<sup>th</sup> grades that are at risk of not graduating.

- ◆ Magnet School

Phase I of a new Math, Science and Technology Magnet Program was implemented at Yorktown Elementary School.

- ◆ International Baccalaureate

The International Baccalaureate (IB) Program is a college preparatory course of study for academically talented students in Grades 11 and 12. This academic year saw dynamic growth for the International Baccalaureate (IB) Program. During the 1999-2000 academic year, the International Baccalaureate of North America (IBNA) fully accredited the IB Program at York High School. A total of 15 students in the class of 2002 were the first to graduate with an IB diploma from the York County School Division. A total of 16 students graduated from the IB Program in June 2003.

- ◆ Virginia Standardized Tests (Standards of Learning)

Standards of Learning (SOL) tests are administered to students in grades 3, 5, & 8, and students enrolled in certain high school courses. Beginning with the class of 2004, students will be required to earn a certain number of verified credits to be eligible for a standard or advanced high school diploma. Verified credits for graduation will be based on achievement by the student of a passing score on the required end-of-course SOL tests.

Based on spring 2002 SOL test results, the York County School Division had all elementary, middle, and high schools Fully Accredited. All York County Schools have achieved the state's highest accreditation ranking (Fully Accredited) a full two years before the School Board's deadline of 2004.

- ◆ Virtual High School

The York County Virtual High School began in FY03 as a pilot to serve homebound and alternative education students. The goal of the Virtual High School is to offer anytime, anywhere education to all students in York County. Coursework offered on-line by qualified York County teachers provides students with opportunity for expanded course selection and solutions to course conflicts. The Virtual High School has been a success in FY03 and will be expanded in FY04 so more students can take advantage of this new, effective instructional model.

- ◆ Division continues to grow with the community.



Several construction projects were started or completed during the 2002-03 school year:

- The construction work for a major renovation at Bruton High School was almost completed in fiscal year 2003. The project will be completed in FY04.
- A roof replacement project was completed at Dare Elementary School.
- The addition of 12 classrooms; new administration, guidance and clinic offices; and site work at Bethel Manor Elementary School. Total estimated cost is \$3 million and the project will be completed the summer 2003.
- The design work for a major renovation of Queens Lake Middle School was completed in fiscal year 2003.
- Tabb Middle School site work was completed in fiscal year 2003. The work included installation of athletic fields; road improvements; additional parking area and realignment of the bus loop.

♦ GASB Statement No. 34

The York County School Division implemented the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB 34) in fiscal year 2003.

♦ Future Initiatives

In the future, the School Division will continue to focus resources on maintaining or reducing student to teacher ratios. Available revenues will also be directed toward programs and initiatives that will enhance the School Division's ability to continue to meet or exceed the State Standards of Learning.

Major facility renovations planned for the future include the School Board Office building, classroom additions and renovations at Queens Lake Middle School and the renovation of York High School and Yorktown Middle School.

Phase II of the Math, Science and Technology Magnet program will be implemented at Yorktown Elementary School in fiscal year 2004.

### Cash Management

Cash and temporary investments pertaining to the School Division's funds (except school activity account funds) are pooled and invested with the cash and temporary investments of the County. The County Treasurer, through daily activity with several local banking institutions, carries out an aggressive cash management program. Temporary idle funds are invested promptly in repurchase agreements and other instruments that are secured or collateralized by governmental securities as required by the Code of Virginia.

### Independent Audit

An annual audit of the books of accounts, financial records, and transactions of all departments of the School Division has been performed by Goodman & Company, LLP, Certified Public Accountants. The auditor's report, which includes their unqualified opinion on the basic financial statements of the School Division, is contained in this report.

### Risk Management

The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Division. The School Board manages the program with a combination of in-house staff and third-party administrators. For fiscal year 2003, the County and the School Division contracted with a third party to administer a joint deductible workers' compensation program with risk of up to \$200,000 for each occurrence subject to a \$600,000 annual aggregate on the combined claims. The County and the School Division continue to effectively manage the joint deductible workers' compensation program.

### Financial Reporting Certificate Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2002. In addition, the Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2002. In order to be awarded a Certificate of Achievement from the GFOA or a Certificate of Excellence from ASBO, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate is the highest form of recognition awarded in the field of governmental financial reporting.

A Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. We also believe that our current comprehensive annual financial report continues to meet the Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

#### Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire staff of the Department of Finance. We would also like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the School Division in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steven R. Staples".

Steven R. Staples, Ed. D.  
Division Superintendent

A handwritten signature in black ink, appearing to read "Dennis R. Jarrett".

Dennis R. Jarrett  
Chief Financial Officer

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

The York County  
School Division, Virginia

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*William Patrick Rabe*

President

*Jeffrey R. Enos*

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

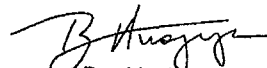


This Certificate of Excellence in Financial Reporting is presented to

**YORK COUNTY SCHOOL DIVISION**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2002

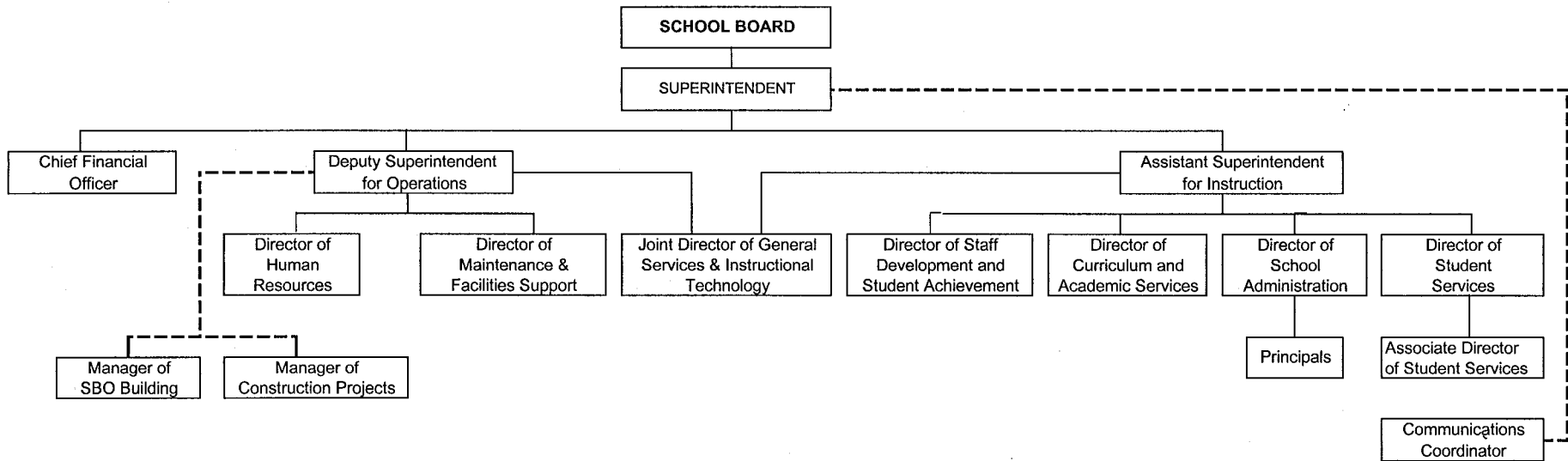
Upon recommendation of the Association's Panel of Review which has judged the Report  
substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

  
President

  
Executive Director

# YORK COUNTY SCHOOL DIVISION ORGANIZATION CHART

As of June 30, 2003



# **THE YORK COUNTY SCHOOL DIVISION**

Component Unit of the County of York, Virginia  
June 30, 2003

## **School Division**

Barbara S. Haywood, Chairman  
Mark A. Medford, Vice-Chairman  
C. Donald Felling  
Barrent M. Henry  
R. Page Minter

## **School Officials**

Superintendent of Schools  
Deputy Superintendent for Operations  
Assistant Superintendent for Instruction  
Chief Financial Officer  
Director of Student Services  
Director of Curriculum and Academic Services  
Director of Student Achievement and Staff Development  
Director of School Administration  
Director of Human Resources  
Director of Maintenance and Facilities Support

Dr. Steven R. Staples  
Richard M. Hixson  
Dr. James R. Tucker  
Dennis R. Jarrett  
Dr. Suzanne M. Creasey  
Dr. Kate E. Richmond  
Dr. Jennifer B. Parish  
Dr. Carl L. James  
Dr. Judy Davis-Dorsey  
Larry W. Hoskins

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## ***FINANCIAL SECTION***

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CPAs / Specialized Services / Financial Planning

## **REPORT OF INDEPENDENT AUDITORS**

Members of the School Division  
**York County School Division**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **York County School Division**, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2003 which collectively comprise the School Division's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the York County School Division's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and aggregate remaining fund information of the **York County School Division** as of June 30, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the School Division has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and amendment of GASB Statements No. 21 and No. 34*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, for the year ended June 30, 2003.

Management's Discussion and Analysis on pages 16 through 30 and the other required supplementary information on pages 57 through 65 listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2003, on our consideration of the **York County School Division's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the **York County School Division's** basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us in our audit of the basic financial statements and accordingly, we express no opinion on them.

*Goodman & Company*

Newport News, Virginia  
October 15, 2003

Fountain Plaza One, 701 Town Center Drive, Suite 700, Newport News, VA 23606-4295  
ph: 757.873.1033 fax: 757.873.1106 [www.goodmanco.com](http://www.goodmanco.com)

Members American Institute of Certified Public Accountants

**York County School Division**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2003*

The discussion and analysis of the York County School Division's (hereafter School Division) financial performance provides an overall review of the School Division's financial activities for the fiscal year ended June 30, 2003 (FY 2003). The intent of this discussion and analysis is to look at the School Division's financial performance as whole; readers should also review the transmittal letter at the front of this report and the School Division's financial statements and notes to the basic financial statements which immediately follow this section, to enhance their understanding of the School Division's financial performance.

This is the first period the School Division has applied Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, issued June 30, 1999. The School Division has not restated prior periods for purposes of providing complete comparative data for Management's Discussion and Analysis (MD&A) because certain prior year information is unavailable. However, in future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Financial Highlights**

- For the governmental funds, General Fund revenues accounted for \$80.6 million or 84.9% of all revenues and expenditures were \$79.7 million or 82% of all expenditures.
- Net assets increased by \$9.6 million to a total of \$111.5 million. The value of net assets reflects the financial health of the School Division and includes certain assets procured with debt. The School Division is a component unit of, and fiscally dependent on County of York. As such, all debt related to School Division assets is shown on the County's statement of net assets. A major component of the \$9.6 million increase in net assets was the renovation to Bruton High School.
- On June 30, 2003 student membership was 12,184, an increase of 174 students, or 1.4% greater than the FY 2002 student membership.
- Food Services ended the fiscal year with a Fund Balance of \$641,447, an increase of \$36,169 over the beginning of year fund balance.

## Using This Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance.

As illustrated in Figure A-1, the financial section of this annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

The basic financial statements include two kinds of statements that present different views of the School Division.

- The first two statements are *School Division-wide financial statements* that provide both *short-term* and *long-term* information about the School Division's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School Division, reporting the School Divisions operations in *more detail* than the School Division-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short and long-term* financial information about the activities that the School Division operates *like businesses*. The School Division does not have any Proprietary funds.
- *Fiduciary funds* statements provide information about the financial relationships in which the School Division acts solely as a *trustee or agent*.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the School Division's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

FIGURE A-1

Organization of York County School Division Annual Financial Report

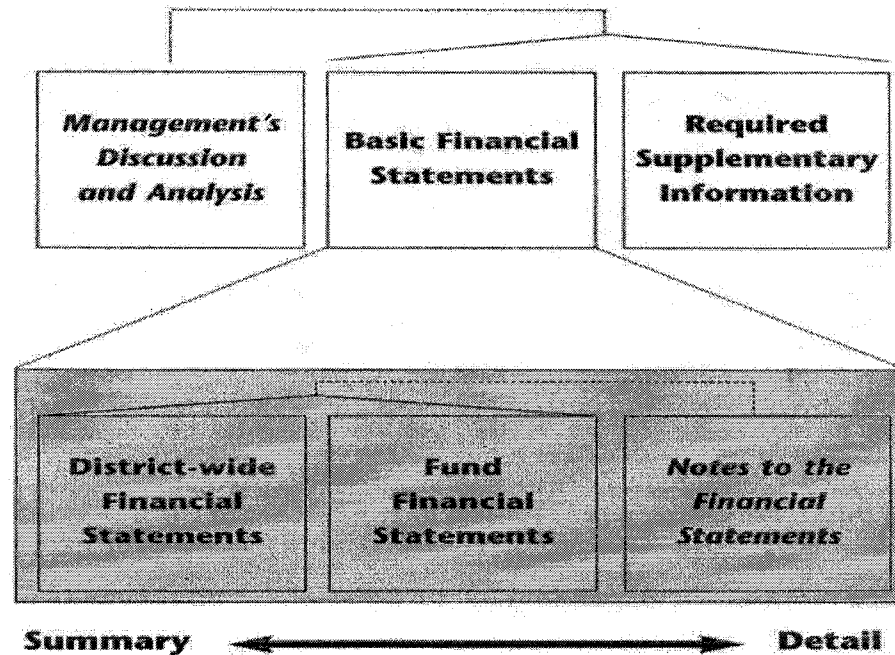


Figure A-2 summarizes the major features of the School Division's financial statements, including the portion of the School Division's activities they cover and the types of information they contain. The remainder of the overview section of the MD&A highlights the structure and contents of each of the financial statements.

FIGURE A-2

Major Features of the School Division-Wide and Fund Financial Statements				
	School Division-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School Division (except fiduciary funds)	The activities of the School Division that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School Division operates similar to private business; self insurance and health insurance	Instances in which the School Division administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of fund net assets *Statement of cash flows *Statement of revenues, expenditures, and changes in fund net assets	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## School Division-wide Statements

The School Division-wide statements report information about the York County School Division as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by the School Division to provide programs and activities, the view of the School Division, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

The two School Division-wide statements report the School Division's *net assets* and how they have changed. Net assets—the difference between the School Division's assets and liabilities—are only one way to measure the School Division's financial health or position.

- Over time increases or decreases in the School Division's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School Division, additional non-financial factors may also be relevant, such as changes in the County tax base, the condition of school buildings and other facilities, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School Division reports only activities related to governmental-type activities, since it has no business-type activities. The School Division's governmental-type activities include: instruction, administration/attendance and health, transportation, operations and maintenance, food service, interest on capital leases, and capital projects.

## Fund Financial Statements

The fund financial statements provide more detailed information about the School Division's most significant or "major" funds. Funds are accounting devices that the School Division uses to help keep track of specific sources of funding and spending for particular purposes.

The School Division has two types of funds:

- *Governmental Funds*: Most of the School Division's activities are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School Division's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the School Division-wide statements, additional information has been added in the form of reconciliation between the total fund balances of the governmental funds and the total net assets of the School Division-wide activities.

## **Fund Financial Statements (Continued)**

- *Fiduciary Funds:* The School Division is trustee or fiduciary for the York County School Board Benefit and Pension Trust Fund. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the division-wide statements because the School Division cannot use these assets to finance its operation. The student activity monies are also accounted for in this fund type, as an agency fund.

## **Financial Analysis of the School Division as a Whole**

### **Net Assets:**

The condensed statement of net assets below describes the financial position of the School Division on June 30, 2003. The largest portion of the School Division net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 95.2% of the total net assets. These capital assets are net of related debt. As a component unit (School Division) in Virginia, the School Division does not have the authority to issue debt. All debt is issued by County of York and, therefore, shown as a liability on its statement of net assets. In years where there are substantial additions to capital assets that are funded through the issuance of debt, the School Division will have substantial increases in net assets. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. Unrestricted net assets are those resources that may be used to meet the obligations placed on the School Division by its creditors and to pay for ongoing operations of the School Division. At the end of the fiscal year unrestricted net assets amounted to \$4.7 million. All three components of net assets show positive balances.

**Financial Analysis of the School Division as a Whole (Continued)**

**Net Assets: (Continued)**

<b>Condensed Statement of Net Assets</b>	
<b>(in millions)</b>	
	<b>Governmental Activities 2003</b>
<b>Assets</b>	
Current and other assets	\$ 21.4
Capital assets	106.2
<b>Total assets</b>	<b>127.6</b>
<b>Liabilities</b>	
Current liabilities	10.9
Long-term liabilities	5.2
<b>Total liabilities</b>	<b>16.1</b>
<b>Net assets</b>	
Invested in capital assets	105.8
Restricted	1.0
Unrestricted	4.7
<b>Total net assets</b>	<b>\$ 111.5</b>

## Financial Analysis of the School Division as a Whole (Continued)

### Net Assets: (Continued)

The following table summarizes the changes in the School Division's net assets for the year ended June 30, 2003. As this is the first year that the School Division has presented its financial statements under the new reporting model, no comparative data is available. In future years, when prior year information becomes available, a comparative analysis of government-wide information will be included in this report.

<b>Condensed Statement of Net Assets</b>	
<b>(in millions)</b>	
	<b>Governmental Activities 2003</b>
<b>Revenues</b>	
Program revenues	
Charges for services	\$ 2.4
Operating grants and contributions	45.7
Capital grants and contributions	1.2
General revenues	
County	37.7
Shared intergovernmental revenues	7.3
Revenues from the use of money and property	0.6
Miscellaneous revenues	0.1
Non-revenue receipts	0.0
<b>Total revenues</b>	<b>95.0</b>
<b>Expenses</b>	
Instruction	\$ 60.7
Administration/attendance and health	5.6
Transportation	4.5
Operations and maintenance	9.1
Food service	2.6
Interest on capital leases	0.1
Capital projects	2.8
<b>Total expenses</b>	<b>85.4</b>
<b>Change in net assets</b>	<b>9.6</b>
<b>Net assets - beginning of year</b>	<b>101.9</b>
<b>Net assets - end of year</b>	<b>\$ 111.5</b>

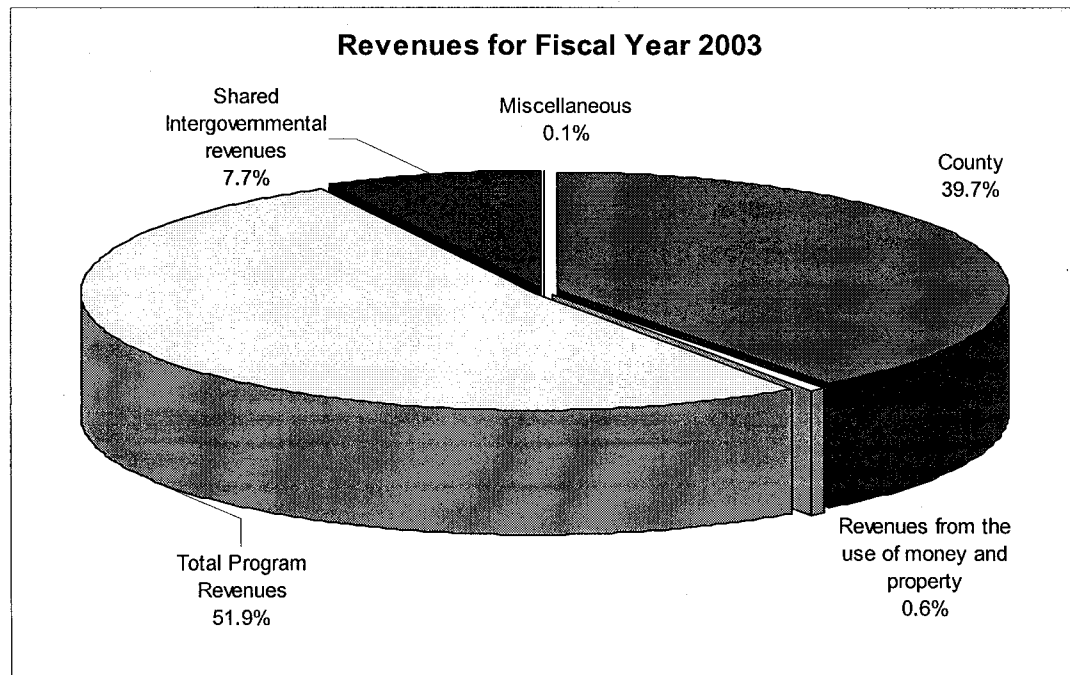
## Financial Analysis of the School Division as a Whole (Continued)

### Changes in net assets:

For the fiscal year ended June 30, 2003, revenues from governmental activities totaled \$95 million. State and federal revenue for operating grants and contributions account for 48.1% of the School Division's resources. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$37.7 or 39.7% of the total revenues.

The total cost of all programs was \$85.4 million in FY 2003. Instruction made up 71.1% of the total costs of the School Division in FY 2003. The School Division's operations and maintenance activities accounted for 10.7% of total costs while administration/attendance and health amounted to 6.6% of total costs.

For the fiscal year ended 2003, revenues exceeded expenses by a total of \$9.6 million. A substantial portion of this excess is the recognition of revenues associated with capital outlay related to the School Division's continued expansion and renovation of facilities.

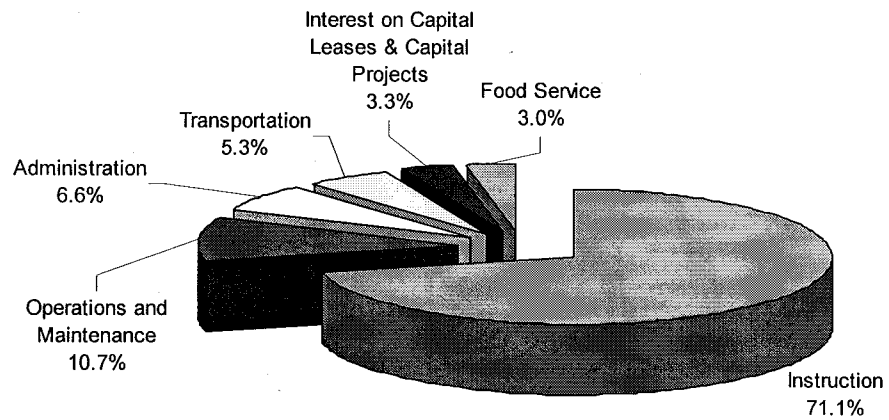


Note: Total Program Revenues reflect revenue from County, State, Federal and Other sources that are dedicated to specific programs or expense areas.

## Financial Analysis of the School Division as a Whole *(Continued)*

### Changes in net assets: *(Continued)*

**Expenses for Fiscal Year 2003**



Note: Expenses are summarized for display purposes. Each section may include one or more specific program areas.

## Governmental Activities

The three primary sources of revenue for the School Division are from County of York, the Commonwealth (State) of Virginia, and the United States Department of Education. State and federal government funding is included in Total Program Revenues. Funding from the County is provided by the York County Board of Supervisors.

State funding is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality, including basic aid and categorical funds. Sales tax (Shared Intergovernmental revenue) revenue totaled \$7.3 million in FY 2003.

Federal funding comes to the School Division from federal grants and impact aid. Impact aid is designed to reimburse school districts for the loss of revenue due to the presence of the federal government. This is an important reimbursement source of revenue to the School Division since the federal government does not pay property taxes.

The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, state aid, and federal aid not restricted to specific programs.

<b>Net Cost of Governmental Activities</b>			
<b>(in millions)</b>			
	<b>Total cost of services 2003</b>	<b>Net cost of services 2003</b>	
Instruction	\$ 60.7	\$ \$ 15.5	
Administration/attendance and health	5.6	\$ 5.5	
Transportation	4.5	\$ 4.5	
Operations and maintenance	9.1	\$ 9.1	
Food service	2.6	\$ (0.2)	
Interest on capital leases	0.1	\$ 0.1	
Capital projects	2.8	\$ 1.6	
<b>Total expenses</b>	<b>\$ 85.4</b>	<b>\$ \$ 36.1</b>	

## **Governmental Activities** *(Continued)*

### **Significant changes in governmental activities include:**

- The cost of all governmental activities was \$85.4 million.
- The net cost of governmental activities was \$36.1 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$46.9 million.
- Most of the School Division's net cost of services of \$36.1 million was funded by the County and state taxpayers.
- Food services net cost decreased due to increased program revenue from a ten cent increase in lunch prices.

### **Financial Analysis of the School Division's Funds**

The strong financial performance of the School Division is also reflected in its governmental funds. As the School Division completed the year, its governmental funds reported fund balances of \$10.4 million.

All but one of the School Division's governmental funds had more revenues than expenditures in FY 2003. The only fund that had expenditures exceed revenues was the Capital Projects Fund, a fund that carried a significant fund balance at the beginning of the year. Expenditures of that fund were \$3.2 million above revenues because unused resources from last year were used this year to finance expenditures.

### **General Fund Budgetary Highlights**

The School Division's budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of FY 2003, the School Division amended its general fund budget as follows:

- Amended appropriation of \$4,001,899 to reflect the carryover of encumbrances from FY 2002 to FY 2003.
- Supplemental appropriations totaling \$1,396,205 for increases in federal, state, and local grants and for additional state aid due to a higher student membership than originally projected in the budget.

Although the School Division's final budget for the general fund anticipated that revenues and expenditures would be equal, the actual results for the year show a savings of \$881,366. This savings reflects an effort by management to utilize increases in revenue and savings in expense to increase fund balance. The increased fund balance will be utilized to support future budgets for the School Division.



## Capital Assets

At the end of FY 2003, the School Division had \$106.2 million invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2003 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 3 to the financial statements.

<b>Capital Assets</b> <i>(Net of Accumulated Depreciation)</i> <b>(in millions)</b>	
	<b>Governmental Activities 2003</b>
Land	\$ 4.6
Construction in progress	12.7
Depreciable capital assets	<u>88.9</u>
<b>Total</b>	<b>\$ <u>106.2</u></b>

### Major capital asset additions for FY 2003 included:

- Architectural and engineering services for the FY 2004 renovation of Queens Lake Middle School.
- Construction in progress consists primarily of renovations at Bruton High School.
- Roof replacement at Dare Elementary School.

The following major capital projects are included in the School Division's FY 2004 capital budget:

- Additions/renovations at Queens Lake Middle School.
- Purchase of seven new school buses.

Funding for the FY 2004 capital projects includes \$4.4 million in appropriated funds from the County of York.

## **Outstanding Long-Term Debt**

School Divisions in the Commonwealth of Virginia are fiscally dependent, in that they do not have taxing authority and rely upon appropriations from the County/City. Only government entities with taxing authority are legally permitted to incur long-term debt, therefore all debt required for capital projects for the School Division is incurred by the County. As a result, the County of York government retains the liability for the portion of general obligation bonds issued to fund capital projects for the School Division.

The County Government appropriates funds to the School Division for the education of the students of the County of York. The School Board, in its annual budget process and in consultation with the County, determines the amount of these funds to support the financing of capital projects for the School Division.

The School Division's long-term debt is related to compensated absences, worker's compensation claims, capital leases on equipment and incurred but not reported health claims. Long-term debt had a net increase of approximately \$1 million, primarily due to incurred but not reported health claims.

### **Factors influencing future budgets:**

The FY 2004 budget provides funding for the following significant costs:

- A step increase and a 2% market adjustment for salaries.
- Funding for current programs to support an increase of 300 students.
- Funding to support the capital projects included in the FY 2004 – 2009 CIP.

At the time these financial statements were prepared and audited, the School Division was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The Commonwealth of Virginia will be considering the new biennium budget for FY 2005 and FY 2006 during the FY 2004 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time.
- The full impact of the federal *No Child Left Behind* legislation is being assessed. This legislation has increased cost for the School Division for student testing, training, student instructional programs and hiring/retention of highly qualified staff.
- Queens Lake Middle School will undergo an addition/renovation in FY 2004. The cost of the renovation will require the County of York to incur debt to fund the \$4.4 million project.
- The Virginia Retirement System has requested the Governor and General Assembly to significantly increase the employer contribution for the retirement plan provided to staff. The increase, if approved, will be a 115% over the current year rates and will cost the School Division over \$2.5 million.

## **Outstanding Long-Term Debt** *(Continued)*

### **Factors influencing future budgets:** *(Continued)*

- The School Division has invested over \$20 *million* in instructional technology. This includes infrastructure, hardware, software, furnishings and training. That equipment will require replacement over the next five to ten years. Funding for the replacement of technology will need to be identified in the FY 2005 budget process.

### **Contacting the York County School Division' (the School Division) Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, parents, students, and creditors with a general overview of the School Division's finances and to show the School Division's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Office at York County School Division, P. O. Box 302 Dare Road, Yorktown, Virginia 23692, (757) 898-0300.

## ***BASIC FINANCIAL STATEMENTS***

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES**

**June 30, 2003**

**ASSETS**

Cash and investments	\$ 4,148,206
Restricted assets - cash and investments	1,019,930
Other receivables	3,060
Due from primary government	13,221,974
Due from other governments	2,968,438
Capital assets - net	<u>106,223,433</u>
<b>Total assets</b>	<b>\$ 127,585,041</b>

**LIABILITIES**

Vouchers and accounts payable	\$ 1,683,892
Accrued payroll	8,492,509
Retainage payable	567,215
Due to primary government	195,698
Long-term liabilities:	
Due within one year	3,808,595
Due in more than one year	<u>1,351,942</u>
<b>Total liabilities</b>	<b>16,099,851</b>

**NET ASSETS**

Invested in capital assets - net of related debt	105,811,183
Restricted:	
Capital projects	1,019,930
Unrestricted	<u>4,654,077</u>
<b>Total net assets</b>	<b>111,485,190</b>
<b>Total liabilities and net assets</b>	<b>\$ 127,585,041</b>

*The accompanying notes are an integral part of the basic financial statements.*

THE YORK COUNTY SCHOOL DIVISION

COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instructional	\$ 60,683,276	\$ 362,727	\$ 44,839,211	\$ -	\$ (15,481,338)
Administration, attendance, and health services	5,564,214	32,307	-	-	(5,531,907)
Transportation	4,534,200	29,653	-	-	(4,504,547)
Operations and maintenance	9,129,334	60,021	-	-	(9,069,313)
Food services	2,620,622	1,943,016	831,082	-	153,476
Interest on capital leases	23,975	-	-	-	(23,975)
Capital projects	2,782,478	-	-	1,188,266	(1,594,212)
<b>Total governmental activities (see note 3)</b>	<b>85,338,099</b>	<b>2,427,724</b>	<b>45,670,293</b>	<b>1,188,266</b>	<b>(36,051,816)</b>
<b>General Revenues:</b>					
Payments from the County of York					37,698,293
Shared intergovernmental revenues					7,291,952
Revenues from use of money and properties					580,480
Miscellaneous					77,391
<b>Non-revenue receipts</b>					<b>47,486</b>
<b>Total general revenues, transfers and miscellaneous</b>					<b>45,695,602</b>
<b>Change in net assets</b>					<b>9,643,786</b>
<b>Net assets - beginning of year, as restated for GASB 34</b>					<b>101,841,404</b>
<b>Net assets - end of year</b>					<b>\$ 111,485,190</b>

The accompanying notes are an integral part of the basic financial statements.

THE YORK COUNTY SCHOOL DIVISION

COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2003

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 1,613,260	\$ 1,869,230	\$ 665,716	\$ 4,148,206
Restricted cash and investments	-	1,019,930	-	1,019,930
Internal receivables	1,190	1,379	491	3,060
Due from primary government	11,462,864	1,759,110	-	13,221,974
Due from other governments	2,942,722	-	25,716	2,968,438
Due from other funds	363	13,146	-	13,509
<b>Total assets</b>	<b>\$ 16,020,399</b>	<b>\$ 4,662,795</b>	<b>\$ 691,923</b>	<b>\$ 21,375,117</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Vouchers and accounts payable	\$ 965,269	\$ 714,492	\$ 4,131	\$ 1,683,892
Retainage payable	-	567,215	-	567,215
Salaries, taxes and benefits payable	8,445,758	769	45,982	8,492,509
Due to primary government	195,698	-	-	195,698
Due to other funds	13,146	-	363	13,509
<b>Total liabilities</b>	<b>9,619,871</b>	<b>1,282,476</b>	<b>50,476</b>	<b>10,952,823</b>
<b>Fund Balances</b>				
Fund balances:				
Reserved for:				
Encumbrances	4,813,836	1,845,497	10,471	6,669,804
Unreserved				
Designated				
Self insurance	1,586,692	-	-	1,586,692
Construction Projects	-	1,534,822	-	1,534,822
Undesignated	-	-	630,976	630,976
<b>Total fund balances</b>	<b>6,400,528</b>	<b>3,380,319</b>	<b>641,447</b>	<b>10,422,294</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,020,399</b>	<b>4,662,795</b>	<b>\$ 691,923</b>	<b>21,375,117</b>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, used in governmental activities are not financial resources and therefore are not reported in the funds.

106,223,433

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(5,160,537)

Net assets of governmental activities

\$ 111,485,190

The accompanying notes are an integral part of the basic financial statements.

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**Year Ended June 30, 2003**

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
From the County of York	\$ 27,385,364	\$ 10,312,929	\$ -	\$ 37,698,293
From the Commonwealth of Virginia	41,738,660	1,188,266	48,969	42,975,895
From the Federal government	10,369,003	-	782,113	11,151,116
Revenues from use of money and property	500,568	72,249	7,663	580,480
Charges for services	484,708	-	1,943,016	2,427,724
Miscellaneous	100,291	600	-	100,891
<b>Total revenues</b>	<b>80,578,594</b>	<b>11,574,044</b>	<b>2,781,761</b>	<b>94,934,399</b>
<b>Expenditures</b>				
Education:				
Instruction	60,385,900	-	-	60,385,900
Administration, attendance and health services	5,429,175	-	-	5,429,175
Pupil transportation	4,858,132	-	-	4,858,132
Operations and maintenance	8,950,532	-	-	8,950,532
<b>Total education</b>	<b>79,623,739</b>	<b>-</b>	<b>-</b>	<b>79,623,739</b>
Food services	-	-	2,745,592	2,745,592
Capital outlay	-	14,791,825	-	14,791,825
Debt service:				
Principal retirement	97,000	-	-	97,000
Interest and fiscal charges	23,975	-	-	23,975
<b>Total expenditures</b>	<b>79,744,714</b>	<b>14,791,825</b>	<b>2,745,592</b>	<b>97,282,131</b>
<b>Other Financing Sources (Uses)</b>				
Non-revenue receipts	47,486	-	-	47,486
<b>Net other financing sources (uses)</b>	<b>47,486</b>	<b>-</b>	<b>-</b>	<b>47,486</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>881,366</b>	<b>(3,217,781)</b>	<b>36,169</b>	<b>(2,300,246)</b>
<b>Fund balances - beginning of year</b>	<b>5,519,162</b>	<b>6,598,100</b>	<b>605,278</b>	<b>12,722,540</b>
<b>Fund balances - end of year</b>	<b>\$ 6,400,528</b>	<b>\$ 3,380,319</b>	<b>\$ 641,447</b>	<b>\$ 10,422,294</b>

*The accompanying notes are an integral part of the basic financial statements.*



**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

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**Year Ended June 30, 2003**

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**Net change in fund balances - total governmental funds** **\$ (2,300,246)**

Amount reported for governmental activities in the  
statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.

12,987,547

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

This is the amount by which proceeds exceeded repayments.

97,000

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, expenditures for those items are measured by the amount of financial resources used. This year, compensated absences earned exceeded the amount used by \$195,460, workers' compensation claims and changes in estimates exceeded the amount paid by \$69,429, and health insurance claims and changes in estimates exceeded the amount paid by \$875,626.

(1,140,515)

**Change in net assets of governmental activities**

**\$ 9,643,786**

*The accompanying notes are an integral part of the basic financial statements.*

**YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
STATEMENT OF FIDUCIARY NET ASSETS**

**Year Ended June 30, 2003**

<b>ASSETS</b>	<b>Pension Trust Fund Optional Plan</b>	<b>Agency Fund - School Activity Funds</b>
Cash and investments	\$ -	\$ 1,170,115
Restricted cash and investments	1,010,494	-
<b>Total assets</b>	<b>\$ 1,010,494</b>	<b>\$ 1,170,115</b>
<b>LIABILITIES</b>		
Assets held for others	\$ -	\$ 1,170,115
<b>NET ASSETS</b>		
Fund balance - reserved for employees' pension benefits	1,010,494	-
<b>Total liabilities and net assets</b>	<b>\$ 1,010,494</b>	<b>\$ -</b>

*The accompanying notes are an integral part of the basic financial statements.*

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUND - OPTIONAL PLAN**

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**Year Ended June 30, 2003**

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**Additions**

Contributions - Member		\$	300,000
Investment income (loss):			
Earnings from investments	\$	26,270	
Net appreciation in the fair value of net assets		<u>48,671</u>	<u>74,941</u>
<b>Total additions</b>			<b>374,941</b>

**Deductions**

Benefits		83,418	
Administrative expense		<u>8,884</u>	<u>92,302</u>

<b>Net increase</b>			<b>282,639</b>
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<b>Net assets held in trust for pension benefits - beginning of year</b>			<u><b>727,855</b></u>
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<b>Net assets held in trust for pension benefits - end of year</b>		<u><b>\$ 1,010,494</b></u>	
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*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements presented for the York County School Division, (School Division) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Division's significant accounting and reporting policies are described in the following notes:

***The Financial Reporting Entity***

The School Division is considered a component unit of the County of York (County). Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the County of York's basic financial statements because of the significance of the School Division's financial relationship with the County.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Division's policies. The members of the School Board are elected by the citizens of York County.

In fiscal year 2003, the School Division adopted three new statements of financial accounting standards by the Governmental Accounting Board (GASB):

- Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*
- Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Statement No. 34 requires that the basic financial statements be accompanied by a narrative introduction and analytical overview of the School Division's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to an analysis the private sector provides in their annual reports.

Statement No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of Statement No. 34. While this statement did not affect amounts reported in the basic financial statements of the School Division, certain note disclosures have been added and/or amended.

The School Division is responsible for elementary and secondary education for the County of York.

The accounting policies of the School Division conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies of the School Division.

### ***Basis of Presentation***

The School Division's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-Wide Financial Statements:* The statement of net assets and the statement of activities display information about the School Division as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Operating transfers are eliminated to avoid "doubling up" revenues and expenditures. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of net assets presents the financial condition of the governmental type activities of the School Division at year-end. The School Division does not have any business-type activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of the School Division's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore identifiable to a particular function. Expenses are grouped in the following categories: instruction, administration, attendance and health services, transportation, operations and maintenance, capital projects, and food services.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include pupil fees, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Division. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School Division. The School Division does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

*Fund Financial Statements:* During the year, the School Division segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of the School Division at this more detailed level. The focus of governmental fund financial statements is on major funds, each displayed in a separate column. The School Division has identified the general fund and the capital project fund as major.

The accounts of the School Division are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The following fund types groups are used by the School Division:

### ***Governmental Funds***

Governmental Funds are those through which most governmental functions of the School Division are financed. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The following are the School Division's governmental fund types:

**General Fund** - The General Fund (School Operating Fund) is the general operating fund of the School Division. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** - The Capital Projects Fund (School Construction Fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities or maintenance of the school plants (other than those financed by the operating fund).

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### ***Governmental Funds*** *(Continued)*

**Non-Major Governmental Fund** - The non-major Governmental Fund (School Food Services Fund) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Accordingly, the School Food Services Fund is used to account for the operations of the various school cafeterias. The revenues of the cafeterias include Federal grants restricted as to the purpose for which they may be used and charges to students for meals.

### ***Fiduciary Funds***

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Accordingly, the measurement focus is upon determination of changes in financial position rather than upon net income determination. The Trust and Agency funds consist of the Pension Trust Fund - Optional Plan and the School Activity Funds.

**Trust Fund** - The Pension Trust Fund - Optional Plan accounts for the revenues and expenses related to the School Division sponsored retirement plan, which is administered by a fiduciary agent of the York County School Division. The Pension Trust Fund - Optional Plan follows the accrual basis of accounting. The recognition of contributions, benefits and refunds use the "flow of economic resources" measurement focus. The costs of plan administration are financed through employer and member contributions and earnings on investments.

**Agency Fund** - The Agency Fund is custodial in nature and does not involve measurement of results of operations. The School Division's agency fund is the School Activity Funds, which accounts for the student activity monies maintained on behalf of the students by the principal of each school.

Fiduciary funds are not included in the government-wide financial statements.

### ***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Both governmental type funds in the government-wide financial statements and the fiduciary funds financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. In applying the subject to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School Division; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.



## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### ***Basis of Accounting*** *(Continued)*

The fund statements follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For grants, revenue is recognized when all eligibility requirements have been met. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

### ***Cash, Cash Equivalents and Temporary Investments***

Cash and temporary investments are pooled with the cash and investments of the County. The School Division utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. Investments that are held for more than one year to maturity are stated at fair value while investments that are held for less than one year to maturity are stated at amortized cost. The cash in the agency fund represents the student activity funds cash balances in the separate bank accounts maintained by the individual schools. For purposes of the statement of cash flows, investments with original maturities of 90 days or less are considered cash equivalents.

### ***Receivables and Due from Other Governments***

Amounts due from the Commonwealth of Virginia consist primarily of June sales tax, receivables from state entitlements and reimbursement of grants expenditures. Amounts due from federal governments are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Division. All amounts should be collected within one year.

### ***Inventory***

Inventory is accounted for under the purchase method. The cost is recorded as an expenditure at the time inventory is purchased. USDA donated food commodities are accounted for in the School Food Services Fund at the estimated value at the time of receipt. Revenues are recorded when goods are received and expenditures are recorded as goods are used.

### ***Capital Assets***

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Division capitalization threshold is met.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Capital Assets** (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Division maintains a capitalization threshold of \$5,000 for equipment, improvements and buildings. Land is capitalized regardless of value. The School Division has no infrastructure assets.

Depreciation is recorded on general capital assets on a government-wide basis. All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method with half-year convention over the following useful lives:

<b>Description</b>	<b>Estimated useful lives</b>
Buildings	25-80 years
Improvements other than buildings	30-80 years
Machinery and equipment and vehicles	10-25 years

### **Compensated Absences**

Employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. The cost of accumulated compensated absences pay including associated benefits is accounted for as a liability in the government-wide financial statements. In the governmental funds, the amount of the vacation pay, including associated benefits, recognized during the year is the amount accrued during the year that is normally liquidated with expendable available financial resources.

### **Fund Balances**

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

**Fund Balances - Reserved** - indicates that a portion of fund equity, which has been legally segregated for specific purposes or does not represent available expendable resources.

**Fund Balances - Unreserved, Designated** - indicates tentative plans for financial resource utilization in future periods.

**Fund Balances - Unreserved, Undesignated** - represents the remainder of the School Division's equity in governmental fund – type balances.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Activity***

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as due to and due from as appropriate and are subject to elimination in the government-wide statements. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

***Retirement Plan***

Retirement contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The School Division's policy is to fund pension cost as it accrues.

***Use of Estimates***

Management of the School Division has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Division's reporting of its financial position.

**2. DEPOSITS AND INVESTMENTS**

Cash and temporary investments pertaining to the School Division (except for the Agency funds) are pooled and invested with the cash and temporary investments of the County of York. Because the School Division's cash and temporary investments are pooled with the cash and investments of the County, information to categorize investments for the School Division only, by the level of risk assumed, is unavailable for disclosure.

***Deposits***

The Agency Fund's carrying value with banks and savings institutions was \$1,170,115 and the bank balance was \$1,286,582. Of the carrying value, \$270,193 was in a checking account and \$899,922 was in repurchase agreements. The bank balance was fully insured by the FDIC and the Securities Investor Protection Corporation at June 30, 2003.

## 2. DEPOSITS AND INVESTMENTS (Continued)

### **Investments**

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with the portfolio securities valued by the amortized cost method. Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value.

The County's investments are categorized below to give an indication of the level of risk assumed by the County at June 30, 2003. Category 1 includes investments that are insured or registered and for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counter party's trust department or its safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or by its safekeeping department or agent but not in the County's name.

At June 30, 2003, the County's investment balances were as follows:

	<b>Category</b>			<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>		
Pooled:					
Bonds	\$ 17,085,100	\$ -	\$ -	\$ 17,085,100	\$ 17,085,100
Investments not subject to categorization:					
Money Market Funds				8,271,061	8,271,061
Investment in State Treasurer's Local Government Investment Pool (LGIP)				46,496,071	46,496,071
				<u>\$ 71,852,232</u>	<u>\$ 71,852,232</u>

Because the cash and investments of the School Division are included in the County's pool of investments in bonds and LGIP, information such as investment categories cannot be separately presented for these categories. Of the amounts invested in bonds and LGIP, \$4,147,606 belongs to the School Division. The School Division Pension Trust Fund cash and investments totaling \$1,010,494 contains the following: government money market - \$141,417; corporate debt and equity instruments \$768,541; and federal mortgages - \$100,536.

## 2. DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

At year-end, the County did not have any investments in overnight repurchase agreements. Due to significantly higher cash flows at certain times during the year, the County invested in overnight repurchase agreements for which the underlying securities were held by the dealer.

## 3. CAPITAL ASSETS - NET

The following is a summary of changes in capital assets for the year ended June 30, 2003:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,669,160	\$ -	\$ -	\$ 4,669,160
Construction in progress	665,859	12,009,347	-	12,675,206
<b>Total capital assets -             not being depreciated</b>	<b>5,335,019</b>	<b>12,009,347</b>	<b>-</b>	<b>17,344,366</b>
Capital assets being depreciated:				
Buildings	111,006,508	2,644,258	-	113,650,766
Improvements other than buildings	2,259,725	126,470	-	2,386,195
Machinery and equipment	1,096,415	309,241	56,037	1,349,619
Motor vehicles	6,128,772	825,800	250,331	6,704,241
<b>Total capital assets being depreciated</b>	<b>120,491,420</b>	<b>3,905,769</b>	<b>306,368</b>	<b>124,090,821</b>
Less accumulated depreciation for:				
Buildings	28,475,757	2,262,461	-	30,738,218
Improvements other than buildings	991,497	62,022	-	1,053,519
Machinery and equipment	392,001	96,162	27,143	461,020
Motor vehicles	2,731,299	457,053	229,355	2,958,997
<b>Total accumulated depreciation</b>	<b>32,590,554</b>	<b>2,877,698</b>	<b>256,498</b>	<b>35,211,754</b>
Other capital assets being depreciated - net	87,900,866	1,028,071	49,870	88,879,067
<b>Governmental activities capital assets - net</b>	<b>\$ 93,235,885</b>	<b>\$ 13,037,418</b>	<b>\$ 49,870</b>	<b>\$106,223,433</b>

3. **CAPTIAL ASSETS – NET** (Continued)

Depreciation expense was charged to functions as follows:

**Governmental Activities:**

Instruction	\$ 2,338,290
Administration, attendance and health services	40,532
Pupil transportation	420,314
Operations and maintenance	44,322
Food services	<u>34,240</u>
Total governmental activities depreciation expense	<u>\$ 2,877,698</u>

Construction in progress is composed of the following at June 30, 2003:

	<b>Project authorization</b>	<b>Expended through June 30, 2003</b>	<b>Balance of authorization</b>	<b>Future requirements</b>
School projects	<u>\$ 13,487,271</u>	<u>\$ 12,675,206</u>	<u>\$ 812,065</u>	<u>\$ -</u>

The majority of the capital assets were donated to the School Division by the County. The County has issued general obligation bonds and obtained literary loans from the Commonwealth of Virginia on behalf of the School Division. Certain school buildings have been pledged as collateral for the literary loans.

#### 4. LEASES

The School Division leases lighting systems under a capital lease agreement. A summary of future minimum lease payments under this capital lease together with the present value of the net minimum lease payments as of June 30, 2003, is as follows:

<u>Fiscal Year</u>	
2004	\$ 115,941
2005	110,946
2006	105,950
2007	100,955
2008	<u>24,458</u>
Total minimum payments	458,250
Less - amount representing interest	<u>(46,000)</u>
Present value of principal	<u>\$ 412,250</u>

The School Division leases certain equipment and office space under non-cancelable operating lease agreements. A summary of future minimum rental payments under non-cancelable operating leases as of June 30, 2003, is as follows:

Rental expenditures for the year ended June 30, 2003 for all operating leases were \$282,533.

<u>Fiscal Year</u>	
2004	\$ 184,565
2005	17,102
2006	<u>9,686</u>
Total minimum payments	<u>\$ 211,353</u>

**4. LEASES (Continued)**

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2003, is as follows:

<u>Fiscal Year</u>	
2004	\$ 117,636
2005	117,636
2006	117,636
2007	117,636
2008	69,056
Thereafter	<u>25,165</u>
Total minimum receipts	<u>\$ 564,765</u>

Rental revenue receipts for all operating leases were \$104,855 for the year ended June 30, 2003.

**5. LONG-TERM LIABILITIES**

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance July 1, 2003</u>	<u>Due within one year</u>
Compensated absences	\$ 1,262,285	\$ 635,204	\$ 439,745	\$ 1,457,744	\$ 1,457,744
Workers' compensation claims	1,517,263	334,767	265,338	1,586,692	550,000
Capital leases payable	509,250	-	97,000	412,250	97,000
Incurred but not reported health claims	<u>828,223</u>	<u>6,180,871</u>	<u>5,305,243</u>	<u>1,703,851</u>	<u>1,703,851</u>
<b>Totals</b>	<u>\$ 4,117,021</u>	<u>\$ 7,150,842</u>	<u>\$ 6,107,326</u>	<u>\$ 5,160,537</u>	<u>\$ 3,808,595</u>

Long-term liabilities are normally paid from the General Fund.



## 6. DEFINED BENEFIT PENSION PLANS

### ***Virginia Retirement System (VRS) Plan Description***

Professional and non-professional employees of the School Division are covered by the VRS, a mixed agent and cost-sharing multiple employer defined benefit pension plan. Professional employees participate in a VRS statewide teacher cost sharing pool. As of June 30, 1992, non-professional employees of the School Division are also covered by the VRS. The payroll for professional employees covered by VRS for the year ended June 30, 2003, was \$44,579,462; the total payroll was \$47,197,692. The payroll for non-professional employees covered by VRS for the year ended June 30, 2003, was \$5,940,974; the total payroll of \$6,479,514.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 5.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

### ***Funding Policy-VRS***

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by the School Division. In addition, the School Division is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The School Division's contribution rate for non-professional employees for fiscal years ended 2003, 2002, and 2001 was 10%, 10% and 10.69%, respectively, of annual covered payroll, or in the amounts of \$599,222, \$551,058, and \$536,673, respectively, and was fully funded for each fiscal year. The School Division's required contribution for the professional employees for fiscal years ended 2003, 2002 and 2001 was \$3,969,426, \$3,634,937, and \$5,010,201, respectively, and was fully funded for each fiscal year.

The required contribution for VRS was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% - 6.10% per year and (c) 3% per year cost-of-living adjustments. The actuarial value of the School Division's assets is the adjusted market value of assets. It reflects only a portion of the excess (or shortfall) between recent investment returns and the corresponding expected returns based on the 8% investment return assumption. The actuarial value recognizes this excess return (or shortfall) over a five-year period at the rate of 20% per year. This approach dampens the year-to-year fluctuations in the contribution rates.

## 6. DEFINED BENEFIT PENSION PLANS

### *Funding Policy-VRS (Continued)*

Contributions are recognized in the period in which amounts are due pursuant to formal commitments and benefits, and refunds are recognized when due and payable in accordance with the terms of the plan.

### *York County Public Schools - Optional Plan - Description*

The Optional Plan, a single employer defined pension benefit plan, provides pension benefits to non-professional employees of the School Division who were not previously covered by VRS. A fiduciary agent of the School Division administers the optional plan, which provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above. Stand-alone financial reports are not issued for this plan. The optional plan's current membership, as of July 1, 2003 includes 73 active participants, 52 retirees and beneficiaries, and 7 vested terminations.

### *Funding Policy- Optional Plan*

The actuarial accrued liability for the optional plan was determined as part of an actuarial valuation on June 30, 2003 using the projected unit credit actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) post-retirement benefit increases of 2% per year, and (c) percentage of current retiree benefits to be paid of 100%. Because the plan is frozen, no salary increases are projected. The unfunded actuarial liability is being amortized over 20 years, using the closed method, and at the valuation interest rate with payments increasing 4¼% per year. The actuarial value of the Schools Division's assets is the market value of the assets, adjusted for accrued contributions and unpaid benefits. Actual contributions to the optional plan were \$300,000, \$157,000, and \$47,000, for the years ended 2003, 2002, and 2001, respectively.

### *Schedule of Annual Pension Costs and Employer Contributions for Optional Plan*

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
1998	\$ 12,000	100%
1999	\$ 90,000	100%
2000	\$ 36,399	100%
2001	\$ 43,413	100%
2002	\$ 41,043	100%
2003	\$ 79,598	100%

## **7. CONTINGENT LIABILITIES**

### ***Risk Management***

The School Division is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Division reports all of its risk management activities in its School Operating Fund and pays all claims for retained risks from School Operating Fund resources. The School Division maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, and employer's liability and certain other risks with commercial insurance companies. The School Operating Fund retains the full risk for unemployment compensation, up to \$60,000 for each health care claim and up to \$200,000 for each workers' compensation occurrence subject to a \$600,000 annual aggregate on the combined claims. All unemployment, health care claims and workers' compensation claims are paid through a third-party administrator through resources from the School Operating Fund. There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### ***Litigation***

The School Division is involved in a lawsuit arising in the ordinary course of operations. It is the opinion of the School Division's management, based on the advice of the School Division's attorney, that any losses incurred as a result of claims existing as of June 30, 2003 will not be material to the financial statements.

### ***Grants***

The School Division received grant funds, principally from the State and Federal Government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Division is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the School Division, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

## **8. POST-RETIREMENT BENEFITS**

In addition to the pension benefits described in Note 6, the School Division provides post-retirement health care benefits, in accordance with School Division policy, to all employees who retire from York County Public Schools with 100 days of accumulated sick leave, 10 years of service and a minimum of 24 months participation in the health insurance program immediately prior to retirement. Currently, 31 retirees are participating in this program. The School Division pays a monthly contribution of \$25 toward the health care program premium for a total period of time not to exceed 10 years or until the retiree is eligible for Medicare, whichever occurs first. Expenditures for post-retirement health care benefits are recognized as incurred. During the year, expenditures of \$13,692 were recognized as incurred for post-retirement health care.

**9. DEFERRED COMPENSATION PLAN**

The School Division offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all School Division employees, permits them to defer a portion of their salary to future years. Participation in the plan is optional. The deferred compensation is not available to employees until separation from service, retirement, death, disability, financial hardship and/or reaching age 59 ½. The School Division offers a selection of investment options to participants. All earnings on the invested funds compound tax-free until withdrawn from the account.

**10. TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND THE SCHOOL DIVISION**

The following activities took place between the Primary Government and the School Division during the year ended June 30, 2003.

	<u>Transfers In</u>	<u>Transfers Out</u>
School Operating Fund	\$ 30,095,009	\$ 2,709,645
Capital Projects Fund	10,312,929	-
	<u>\$ 40,407,938</u>	<u>\$ 2,709,645</u>
	<u>Due From</u>	<u>Due To</u>
Primary Government:		
General Fund	<u>\$ 13,221,974</u>	<u>\$ 195,698</u>
Component Unit - School Division:		
General Fund	\$ 13,146	\$ 363
Capital Projects Fund	-	13,146
Nonmajor governmental fund	363	-
	<u>\$ 13,509</u>	<u>\$ 13,509</u>

## 11. ACCOUNTING CHANGES AND RESTATEMENTS

At July 1, 2002, the School Division adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement was required to be implemented for fiscal year 2003. As a result, restatements were made to beginning net assets to properly reflect the School Division’s capital assets and long-term liabilities.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34 and change in accounting policy:

Fund balance - June 30, 2002	\$ 12,722,540
GASB 34 and accounting policy adjustments:	
Capital assets - restated	125,826,439
Accumulated depreciation	(32,590,554)
Long-term liabilities	(4,117,021)
Restated net assets - July 1, 2002	<u>\$ 101,841,404</u>

\* \* \* \* \*

***REQUIRED SUPPLEMENTARY INFORMATION***

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**BUDGETARY COMPARISON SCHEDULE, GENERAL FUND - REVENUES AND OTHER FINANCING SOURCES**

**Year Ended June 30, 2003**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Intergovernmental:				
County of York	\$ 28,270,072	\$ 28,380,281	\$ 27,385,364	\$ (994,917)
Commonwealth of Virginia:				
State sales tax	7,527,956	7,527,956	7,291,953	(236,003)
Basic aid	24,592,024	25,275,605	25,239,532	(36,073)
Lottery	741,643	839,914	839,406	(508)
Prior year lottery	-	88,148	88,185	37
Adult education	19,429	19,429	-	(19,429)
RLCC	-	-	6,230	6,230
Foster home children	25,000	25,000	36,156	11,156
Gifted and talented	264,833	264,833	272,387	7,554
Remedial programs	245,017	245,017	249,688	4,671
Remedial summer school	87,272	87,272	55,537	(31,735)
Remediation	61,837	61,837	61,837	-
Reading intervention	97,298	97,298	68,412	(28,886)
Special education – SOQ	2,390,775	2,390,775	2,436,352	45,577
Homebound	20,674	20,674	24,104	3,430
Comprehensive services act	250,000	250,000	150,063	(99,937)
Free textbooks	570,789	570,789	570,197	(592)
VOC ED-SOQ	296,991	296,991	302,652	5,661
Special education support	280,000	280,000	260,347	(19,653)
Employer share benefits	2,000,933	2,000,933	2,058,036	57,103
New Horizons-Regional	20,000	20,000	25,747	5,747
Other CAT/VOC ED	28,570	28,570	11,457	(17,113)
At-risk	70,928	70,928	66,217	(4,711)
K-3 Initiative	153,013	153,013	153,022	9
SOL Algebra readiness	73,381	73,381	74,985	1,604
Technology resource assistants	80,704	80,704	80,704	-
Nurses	6,634	6,634	-	(6,634)
State technology - FY 2002	-	476,024	476,024	-
Tech Init - FY 2003	544,000	544,000	544,000	-
Miscellaneous grants	457,696	157,696	166,232	8,536
ESL	16,178	16,178	32,398	16,220
York River Academy	36,557	36,557	96,800	60,243
<b>Total from the Commonwealth of Virginia</b>	<b>40,960,132</b>	<b>42,006,156</b>	<b>41,738,660</b>	<b>(267,496)</b>

Federal government:				
Title I	583,449	714,380	642,150	(72,230)
Title VI	47,767	-	21,737	21,737
Adult education	20,000	20,000	29,640	9,640
Title II A	-	320,184	266,205	(53,979)
Title II D	-	25,643	9,417	(16,226)
Title IV A	-	45,509	43,500	(2,009)
Title V A	-	40,671	10,796	(29,875)
Impact Aid	7,400,000	7,400,000	7,755,015	355,015
Department of Defense	-	-	21,713	21,713
Title VIB	1,034,389	1,034,389	1,029,339	(5,050)
VOC ED – Carl Perkins	88,939	88,939	129,094	40,155
Title II-EESA	46,236	-	39,726	39,726
Troops to Teachers	27,027	27,027	-	(27,027)
E-Rate	75,000	75,000	60,412	(14,588)
NJROTC	75,000	75,000	92,396	17,396
Miscellaneous grants	636,800	407,837	217,863	(189,974)
<b>Total from the Federal government</b>	<b>10,034,607</b>	<b>10,274,579</b>	<b>10,369,003</b>	<b>94,424</b>
Miscellaneous revenues:				
Use of money and property	365,800	365,800	500,568	134,768
Charges for services	611,150	611,150	484,708	(126,442)
Miscellaneous	25,000	25,000	100,291	75,291
<b>Total miscellaneous revenues</b>	<b>1,001,950</b>	<b>1,001,950</b>	<b>1,085,567</b>	<b>83,617</b>
Non-revenue receipts	75,000	75,000	47,486	(27,514)
<b>Total revenues and other financing sources</b>	<b>\$ 80,341,761</b>	<b>\$ 81,737,966</b>	<b>\$ 80,626,080</b>	<b>\$ (1,111,886)</b>

See accompanying notes to budgetary comparison schedule



**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**BUDGETARY COMPARISON SCHEDULE, GENERAL FUND - EXPENDITURES AND OTHER FINANCING USES**

**Year Ended June 30, 2003**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Education</b>				
Instruction:				
Classroom instruction services:				
Regular education	\$ 38,518,805	\$ 38,155,094	\$ 36,729,058	\$ 1,426,036
Special education	6,468,169	6,649,647	5,871,310	778,337
Vocational education	2,934,293	2,790,096	2,362,762	427,334
Gifted and talented	285,134	276,665	272,519	4,146
Other programs	3,096,859	3,087,074	2,899,218	187,856
Instructional support - Student:				
Guidance	2,204,652	2,166,746	2,102,688	64,058
Homebound	42,532	42,532	37,185	5,347
Instructional support - Staff:				
Management and staff development	1,677,182	1,963,760	1,812,129	151,631
Media services	1,532,907	1,565,121	1,411,853	153,268
Instructional support - School Administration:				
Principals' offices	5,096,958	5,085,573	5,001,964	83,609
School carryover		2,109,225	1,885,214	224,011
<b>Total instruction</b>	<b>61,857,491</b>	<b>63,891,533</b>	<b>60,385,900</b>	<b>3,505,633</b>
Administration, attendance and health services:				
Board services	88,568	88,568	69,605	18,963
Executive services	406,166	406,166	448,843	(42,677)
Communication services	202,907	205,436	196,830	8,606
Human resources	810,577	1,035,630	962,356	73,274
Fiscal services	741,361	765,365	705,175	60,190
Information services	1,356,807	1,356,807	1,390,560	(33,753)
Health services	820,904	820,904	787,759	33,145
Psychological services	404,774	404,774	385,787	18,987
Speech and audiology services	423,136	433,722	425,610	8,112
School carryover		77,678	56,650	21,028
<b>Total administration, attendance and health services</b>	<b>5,255,200</b>	<b>5,595,050</b>	<b>5,429,175</b>	<b>165,875</b>

Operating costs:				
Pupil transportation:				
Vehicle operation services	3,839,667	3,853,194	3,585,014	268,180
Vehicle maintenance services	895,404	1,195,404	783,086	412,318
School carryover		506,096	490,032	16,064
<b>Total pupil transportation</b>	<u>4,735,071</u>	<u>5,554,694</u>	<u>4,858,132</u>	<u>696,562</u>
Operations and maintenance:				
Management and direction	268,503	256,041	244,626	11,415
Building services	7,774,878	8,547,828	6,975,586	1,572,242
Vehicle services	183,345	216,286	253,675	(37,389)
Warehouse and distribution services	312,290	309,349	260,519	48,830
School carryover		1,419,109	1,216,126	202,983
<b>Total operations and maintenance</b>	<u>8,539,016</u>	<u>10,748,613</u>	<u>8,950,532</u>	<u>1,798,081</u>
<b>Total operating costs</b>	<u>13,274,087</u>	<u>16,303,307</u>	<u>13,808,664</u>	<u>2,494,643</u>
<b>Total education</b>	<u>80,386,778</u>	<u>85,789,890</u>	<u>79,623,739</u>	<u>6,166,151</u>
Debt Service:				
Principal	97,000	97,000	97,000	-
Interest	28,983	23,975	23,975	-
<b>Total debt service</b>	<u>125,983</u>	<u>120,975</u>	<u>120,975</u>	<u>-</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 80,512,761</u>	<u>\$ 85,910,865</u>	<u>\$ 79,744,714</u>	<u>\$ 6,166,151</u>

See accompanying notes to budgetary comparison schedules.

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**NON-MAJOR GOVERNMENTAL FUND**

**BUDGETARY COMPARISON SCHEDULE - REVENUES AND EXPENDITURES**

**Year Ended June 30, 2003**

	Special Revenue Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 53,000	\$ 53,000	\$ 48,969	\$ (4,031)
From the Federal Government	750,000	880,000	782,113	(97,887)
Revenue from the use of money	30,000	30,000	7,663	(22,337)
Charges for services	2,070,242	2,070,242	1,943,016	(127,226)
<b>Total revenues</b>	<b>\$ 2,903,242</b>	<b>\$ 3,033,242</b>	<b>\$ 2,781,761</b>	<b>\$ (251,481)</b>
Expenditures				
Food services:				
Purchases for resale	\$ 1,023,806	\$ 1,103,806	\$ 976,296	\$ 127,510
Donated commodities	150,000	200,000	182,409	17,591
Salaries and wages	1,139,242	1,139,242	1,093,144	46,098
Fringe benefits	372,674	372,674	357,656	15,018
Repairs and maintenance	36,520	36,520	10,171	26,349
Materials and supplies	150,000	150,000	97,447	52,553
Equipment replacement	20,000	20,000	14,500	5,500
Employee development	7,000	7,000	4,252	2,748
Travel	4,000	4,000	3,961	39
School carryover	-	13,169	5,756	7,413
<b>Total expenditures</b>	<b>\$ 2,903,242</b>	<b>\$ 3,046,411</b>	<b>\$ 2,745,592</b>	<b>\$ 300,819</b>

*See accompanying notes to budgetary comparison schedules.*

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**SCHEDULE OF FUNDING PROGRESS FOR DEFINED PENSION BENEFIT PLANS (UNAUDITED)**

**Year Ended June 30, 2003**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>Unfunded AAL (UAAL) (Funding Excess)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL (Funding Excess) as a % of Payroll</u>
<b>School Division Plan - Non-Professional</b>						
June 30, 2000	\$ 4,876,776	\$ 4,797,873	\$ (78,903)	101.64%	\$ 4,825,161	-1.64%
June 30, 2001	\$ 5,929,049	\$ 5,881,679	\$ (47,370)	100.81%	\$ 5,349,983	-0.89%
June 30, 2002	\$ 6,664,536	\$ 6,788,354	\$ 123,818	98.18%	\$ 5,635,990	2.20%
<b>Optional Plan</b>						
June 30, 1998	\$ 2,482,450	\$ 2,560,686	\$ 78,236	96.94%	\$ -	N/A
June 30, 1999	\$ 1,168,859	\$ 1,590,888	\$ 422,029	73.47%	\$ -	N/A
June 30, 2000	\$ 1,106,125	\$ 1,603,196	\$ 497,071	68.99%	\$ -	N/A
June 30, 2001	\$ 981,289	\$ 1,631,198	\$ 649,909	60.16%	\$ -	N/A
June 30, 2002	\$ 725,405	\$ 1,726,804	\$ 1,001,399	42.01%	\$ -	N/A
June 30, 2003	\$ 1,010,494	\$ 1,765,392	\$ 754,898	57.24%	\$ -	N/A

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**June 30, 2003**

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**1. BUDGETARY DATA**

The School Division follows these procedures in establishing the budgetary data reflected in the combined financial statements:

As required under Section 22.1-92 of the *Code of Virginia*, the Division Superintendent prepares an estimate of the amount of money deemed to be needed in the General Fund, Special Revenue Fund and Capital Projects Fund during the next fiscal year for the support of the public schools of the School Division. The estimate is required to be allocated for each major classification prescribed by the State Division of Education. Section 22.1-115 of the *Code of Virginia* states "the Division shall prescribe the following major classifications for expenditures of school funds: (i) instruction, (ii) administration, attendance and health (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other non-instructional operations, (vi) facilities, and (vii) debt and fund transfers."

The Superintendent's proposed budget is based on budget requests prepared by administrative and supervisory staff. The Superintendent also receives input from the School Division, employee associations, Parent Teacher Associations, County Administrator, etc., in formulating the budget proposal. Citizen input is provided via a public forum early in the budget process. After the Superintendent's budget is made public, the School Division conducts a public hearing on the proposed budget.

The School Division is required by state law (Section 22.1-92 of the *Code of Virginia*) to conduct a public hearing on the proposed budget to receive the views of citizens. The School Division also holds several work sessions on the proposed budget and modifies the proposed budget if necessary. The School Division must approve the budget by April 1 and submit it to the Division of Supervisors for the County of York for its approval.

The Board of Supervisors is required by state law to approve a School Division budget by May 1. If the Board of Supervisors approves a local appropriation that is less than the amount the School Division requested, the School Division must reduce the proposed budget accordingly.

**1. BUDGETARY DATA** *(Continued)*

The School Division appropriates funds on a major classification level and may make supplemental appropriations based on the availability of financial resources. The Division Superintendent may only authorize the transfer of funds within the major classification, the legal level of budgetary control.

Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended. Funding for projects such as the capital improvement program is reappropriated annually until the project has been accomplished or abandoned.

The budgets are prepared on a basis consistent with the modified accrual basis of accounting. Budgeted amounts reflected in the required supplementary information are as originally adopted or as amended by the School Division.

**2. LEGALLY ADOPTED BUDGETS**

The general, capital projects, and special revenue funds have legally adopted annual budgets.

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***OTHER SUPPLEMENTARY INFORMATION***



**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**AGENCY FUND - SCHOOL ACTIVITY FUNDS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

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**Year Ended June 30, 2003**

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<b>Assets</b>				
Cash and temporary investments	\$ 1,140,030	\$ 4,883,568	\$ 4,853,483	\$ 1,170,115
<b>Liabilities</b>				
Amounts held for others	\$ 1,140,030	\$ 4,883,568	\$ 4,853,483	\$ 1,170,115

***STATISTICAL SECTION***

(Unaudited)

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
GENERAL FUND REVENUES BY SOURCE**

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**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>County of York</u>	<u>Commonwealth of Virginia</u>	<u>Federal Government</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 27,385,364	\$ 41,738,660	\$ 10,369,003	\$ 1,085,567	\$ 80,578,594
2002	\$ 28,136,796	\$ 38,736,624	\$ 9,221,393	\$ 1,170,061	\$ 77,264,874
2001	\$ 26,883,868	\$ 37,512,014	\$ 8,838,647	\$ 1,142,285	\$ 74,376,814
2000	\$ 25,225,802	\$ 34,874,235	\$ 8,182,836	\$ 1,133,802	\$ 69,416,675
1999	\$ 27,557,879	\$ 32,478,758	\$ 8,215,508	\$ 1,007,528	\$ 69,259,673
1998	\$ 21,722,006	\$ 30,868,785	\$ 7,016,814	\$ 851,783	\$ 60,459,388
1997	\$ 20,775,293	\$ 29,353,453	\$ 5,308,653	\$ 905,136	\$ 56,342,535
1996	\$ 17,765,708	\$ 26,781,895	\$ 7,371,165	\$ 645,265	\$ 52,564,033
1995	\$ 16,544,105	\$ 25,878,217	\$ 5,483,200	\$ 837,921	\$ 48,743,443
1994	\$ 14,794,105	\$ 24,756,832	\$ 7,389,730	\$ 593,650	\$ 47,534,317

Source: York County School Division  
Comprehensive Annual Financial Reports fiscal years 1994-2003

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
GENERAL FUND EXPENDITURES BY FUNCTION**

**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Instruction</u>	<u>Administration, Attendance and Health Services</u>	<u>Pupil Transportation</u>	<u>Operations and Maintenance</u>	<u>Debt Service</u>	<u>Intergovern- mental(1)</u>	<u>Total</u>
2003	\$ 60,385,900	\$ 5,429,175	\$ 4,858,132	\$ 8,950,532	\$ 120,975	\$ -	\$ 79,744,714
2002	\$ 56,268,252	\$ 4,705,618	\$ 3,961,244	\$ 8,022,027	\$ 125,983	\$ 2,201,511	\$ 75,284,635
2001	\$ 55,176,078	\$ 4,250,250	\$ 4,672,831	\$ 7,673,108	\$ 131,128	\$ 2,049,741	\$ 73,953,136
2000	\$ 52,292,947	\$ 3,763,534	\$ 3,583,816	\$ 6,958,758	\$ 135,967	\$ 2,718,753	\$ 69,453,775
1999	\$ 47,244,857	\$ 3,271,627	\$ 3,140,159	\$ 6,953,359	\$ 4,116,037	\$ 3,393,761	\$ 68,119,800
1998	\$ 44,112,068	\$ 2,637,881	\$ 3,245,285	\$ 7,712,139	\$ 973,750	\$ 2,922,381	\$ 61,603,504
1997	\$ 41,676,475	\$ 2,344,082	\$ 3,033,129	\$ 6,590,868	\$ 1,072,838	\$ 1,094,368	\$ 55,811,760
1996	\$ 37,921,721	\$ 1,930,876	\$ 2,324,950	\$ 6,152,276	\$ 688,947	\$ 3,546,938	\$ 52,565,708
1995	\$ 36,857,799	\$ 1,818,153	\$ 2,099,639	\$ 5,901,728	\$ 443,018	\$ 776,514	\$ 47,896,851
1994	\$ 36,660,406	\$ 1,762,193	\$ 2,322,386	\$ 6,271,555	\$ -	\$ 949,600	\$ 47,966,140

Source: York County School Division  
Comprehensive Annual Financial Reports fiscal years 1994-2003

Note: 2003 conversion to GASB 34 allocated intergovernmental expenses directly to the individual functions

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**PROPERTY TAX LEVIES AND COLLECTIONS FOR THE COUNTY OF YORK, VIRGINIA**

**Last Ten Fiscal Years**

Fiscal Year (3)	Total Tax Levy (1)	Current Tax Collections (2)	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2003	\$ 57,471,361	\$ 55,134,210	95.93 %	\$ 1,403,411	\$ 56,537,621	98.38 %	\$ 4,014,605	6.99 %
2002	\$ 53,335,585	\$ 51,353,839	96.28 %	\$ 1,632,225	\$ 52,986,064	99.34 %	\$ 3,490,959	6.55 %
2001	\$ 50,512,862	\$ 48,624,757	96.26 %	\$ 1,596,750	\$ 50,221,507	99.42 %	\$ 3,287,898	6.51 %
2000	\$ 47,039,600	\$ 44,889,391	95.43 %	\$ 1,727,377	\$ 46,616,768	99.10 %	\$ 3,328,419	7.08 %
1999	\$ 44,071,970	\$ 42,685,249	96.85 %	\$ 1,204,501	\$ 43,889,750	99.59 %	\$ 2,344,220	5.32 %
1998	\$ 46,709,768	\$ 45,569,100	97.56 %	\$ 1,324,031	\$ 46,893,131	100.39 %	\$ 1,903,637	4.08 %
1997	\$ 38,420,788	\$ 37,802,304	98.39 %	\$ 819,519	\$ 38,621,823	100.52 %	\$ 1,371,253	3.57 %
1996	\$ 35,805,245	\$ 35,098,834	98.03 %	\$ 789,877	\$ 35,888,711	100.23 %	\$ 1,648,828	4.60 %
1995	\$ 45,247,422	\$ 44,446,158	98.23 %	\$ 412,274	\$ 44,858,432	99.14 %	\$ 1,411,013	3.12 %
1994	\$ 27,803,283	\$ 27,378,908	98.47 %	\$ 437,773	\$ 27,816,681	100.05 %	\$ 1,115,819	4.01 %

(1) Effective 1995, the County implemented twice a year real estate tax collections. Total tax levy through June 30, 1995, was 13,214,104.

Effective 1998, the County implemented twice a year personal property tax collections. Total tax levy through June 30, 1998, was \$5,835,850.

(2) Includes the Commonwealth's reimbursement from the Personal Property Tax Relief Act (Virginia State Code, Title 58.1, Chapter 35).

(3) For Fiscal Years 1999 and 2000, the total tax levy was restated from previous years' reported assessments.

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**ASSESSED VALUE OF TAXABLE PROPERTY FOR THE COUNTY OF YORK, VIRGINIA**

**Last Ten Fiscal Years**

Year	Public Utility			Real Estate	Personal Property	CPC Equipment	Total	Ratio of Total Assessed to Total Estimated Actual Value
	Real Estate	Personal Property	Mobile Home					
2003	\$ 4,332,695,900	\$ 372,586,710	\$ 4,483,220	\$ 383,517,402	\$ 81,725	\$ 47,572,000	\$ 5,140,936,957	100 %
2002	\$ 4,164,948,589	\$ 357,154,465	\$ 4,710,800	\$ 373,094,854	\$ 67,399	\$ 45,232,394	\$ 4,945,208,501	100 %
2001	\$ 3,731,519,800	\$ 341,671,410	\$ 5,499,500	\$ 396,014,109	\$ 75,058	\$ 48,741,804	\$ 4,523,521,681	100 %
2000	\$ 3,593,618,963	\$ 343,064,595	\$ 4,977,800	\$ 384,314,309	\$ 76,790	\$ 45,963,521	\$ 4,372,015,978	100 %
1999	\$ 3,290,329,596	\$ 283,997,377	\$ 4,308,423	\$ 405,887,634	\$ 72,600	\$ 47,599,984	\$ 4,032,195,614	100 %
1998	\$ 3,145,948,869	\$ 265,019,266	\$ 3,660,950	\$ 396,069,366	\$ 90,318	\$ 45,779,343	\$ 3,856,568,112	100 %
1997	\$ 2,971,921,465	\$ 208,420,993	\$ 3,269,862	\$ 398,953,489	\$ 105,708	\$ 47,014,196	\$ 3,629,685,713	100 %
1996	\$ 2,785,964,680	\$ 186,093,039	\$ 3,651,754	\$ 408,445,317	\$ 101,547	\$ 44,838,830	\$ 3,429,095,167	100 %
1995	\$ 2,681,172,452	\$ 176,178,679	\$ 3,398,795	\$ 409,789,142	\$ 114,670	\$ 46,392,496	\$ 3,317,046,234	100 %
1994	\$ 2,429,638,172	\$ 152,924,707	\$ 3,613,180	\$ 408,156,921	\$ 126,101	\$ 44,746,947	\$ 3,039,206,028	100 %

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
PROPERTY TAX RATES OF THE COUNTY OF YORK, VIRGINIA**

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**Last Ten Fiscal Years**

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	<u>Real Estate (1)(3)</u>	<u>Personal Property (1)</u>	<u>Mobile Home (1)</u>	<u>CPC Equipment (1)</u>
2003	0.860	4.00	0.860	0.69
2002	0.860	4.00	0.860	0.69
2001	0.860	4.00	0.860	0.69
2000	0.860	4.00	0.860	0.69
1999	0.860	4.00	0.860	0.69
1998	0.860	4.00	0.860	0.69
1997	0.860	4.00	0.860	0.69
1996	0.860	4.00	0.860	0.69
1995	0.860	4.00	0.860	0.69
1994	0.830	4.00	0.830	0.69

(1) Tax rate per \$100 of assessed valuation.

(2) The amount designated for school operating is \$.644 for fiscal year 2003.

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND  
NET BONDED DEBT PER CAPITA FOR THE COUNTY OF YORK, VIRGINIA**

**Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value	Gross Bonded Debt	Debt Service Monies Available	Less			Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
					Debt Payable From					
					Enterprise Fund Revenue Bonds	Enterprise Fund Advance Refunding Bonds	Enterprise Fund General Obligation Bonds			
2003	61,000	\$ 5,140,936,957	\$ 57,484,287	\$ -	\$ 9,484,287	\$ -	\$ -	\$ 48,000,000	0.0093	787
2002	59,400	\$ 4,945,208,501	\$ 53,102,440	\$ 703	\$ 9,652,440	\$ -	\$ 69,600	\$ 43,379,697	0.0088	730
2001	58,500	\$ 4,523,521,681	\$ 52,610,900	\$ 1,119	\$ 9,810,200	\$ -	\$ 142,100	\$ 42,657,481	0.0094	729
2000	56,297	\$ 4,372,015,978	\$ 55,608,186	\$ 1,083	\$ 9,962,586	\$ -	\$ 217,500	\$ 45,427,017	0.0104	807
1999	55,600	\$ 4,032,195,614	\$ 49,552,066	\$ 531,706	\$ 569,616	\$ -	\$ 295,800	\$ 48,154,944	0.0119	881
1998	54,400	\$ 3,856,568,112	\$ 52,763,107	\$ 977,413	\$ 576,307	\$ -	\$ 359,600	\$ 50,849,787	0.0132	935
1997	53,300	\$ 3,629,685,713	\$ 40,734,476	\$ 994,931	\$ 582,676	\$ 410,000	\$ 426,300	\$ 38,320,569	0.0106	719
1996	52,100	\$ 3,429,095,167	\$ 43,960,538	\$ 948,226	\$ 588,738	\$ 800,000	\$ 495,900	\$ 41,127,674	0.0120	789
1995	50,600	\$ 3,317,046,234	\$ 47,146,308	\$ 901,283	\$ 594,508	\$ 1,165,000	\$ 565,500	\$ 43,920,017	0.0132	868
1994	48,500	\$ 3,039,206,028	\$ 24,586,800	\$ 846,570	\$ 600,000	\$ 1,510,000	\$ 638,000	\$ 20,992,230	0.0069	433

(1) County of York - Planning Division, except for fiscal year 2000 - U.S. Department of Commerce, Bureau of the Census.

(2) The County has no overlapping debt.

(3) The County's revenue bonds are also pledged against the full faith and credit of the Sanitary District and contain no specific revenue bond covenants.

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003



**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO  
TOTAL GENERAL EXPENDITURES FOR THE COUNTY OF YORK, VIRGINIA**

**Last Ten Fiscal Years**

Fiscal Year	Primary Government		Component Unit - School Board		Total Debt Service	(1) Total General Expenditures	Ratio of Service to Expenditures
	Principal	Interest	Principal	Interest			
2003	\$ 515,400	\$ 160,139	\$ 2,580,000	\$ 1,987,837	\$ 5,243,376	\$ 169,617,600	3.1%
2002	\$ 207,500	\$ 57,008	\$ 2,600,700	\$ 1,969,637	\$ 4,825,776	\$ 124,338,675	3.9%
2001	\$ 214,600	\$ 57,008	\$ 2,554,900	\$ 2,388,227	\$ 5,214,735	\$ 120,242,156	4.3%
2000	\$ 681,700	\$ 79,456	\$ 2,711,806	\$ 2,787,844	\$ 6,260,806	\$ 111,812,012	5.6%
1999	\$ 646,200	\$ 113,607	\$ 2,494,350	\$ 2,784,329	\$ 6,038,486	\$ 107,584,760	5.6%
1998	\$ 218,300	\$ 134,052	\$ 2,270,000	\$ 2,036,329	\$ 4,658,681	\$ 97,909,169	4.8%
1997	\$ 220,400	\$ 142,201	\$ 2,540,000	\$ 2,166,603	\$ 5,069,204	\$ 91,364,655	5.5%
1996	\$ 225,400	\$ 151,893	\$ 2,520,000	\$ 2,301,854	\$ 5,199,147	\$ 84,957,001	6.1%
1995	\$ 227,500	\$ 163,531	\$ 1,790,000	\$ 1,756,961	\$ 3,937,992	\$ 79,490,740	5.0%
1994	\$ 194,600	\$ 177,721	\$ 1,422,983	\$ 989,055	\$ 2,784,359	\$ 77,123,286	3.6%

(1) Includes General, Special Revenue and Debt Service Funds from the Primary Government and the School Operating and Food Service Funds from the Component Unit.

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
DEMOGRAPHIC STATISTICS FOR THE COUNTY OF YORK, VIRGINIA**

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**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Per Capita Income (1)</u>	<u>Unemployment Rate (3)</u>
2003	61,000	\$31,400	2.5%
2002	59,400	\$30,700	2.6%
2001	58,500	\$27,900	1.8%
2000	56,297	\$27,030	2.2%
1999	55,600	\$25,922	2.1%
1998	54,400	\$24,970	2.5%
1997	53,300	\$23,792	3.5%
1996	52,100	\$22,491	3.5%
1995	50,600	\$22,057	3.2%
1994	48,500	\$22,470	4.4%

(1) Represents the combined Per Capita Income for the County of York and the City of Poquoson. County of York - Department of Financial & Management Services for the fiscal years 2002 - 2003. U.S. Bureau of Economic Analysis for 1994 - 2001.

(2) County of York - Planning Division, except for fiscal year 2000 - U.S. Department of Commerce, Bureau of the Census.

(3) Virginia Employment Commission.

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
BANK DEPOSITS, RESIDENTIAL AND COMMERCIAL CONSTRUCTION  
FOR THE COUNTY OF YORK, VIRGINIA**

**Last Ten Calendar Years**

Calendar Year	Bank Deposits (2)	Building Permits (1)			
		Residential		Commercial and Industrial	
		Number	Value	Number	Value
2003	\$ -	8,979	\$ 117,627,859	131	\$ 19,775,459
2002	\$ 300,025,000	5,260	\$ 101,825,775	101	\$ 22,541,983
2001	\$ 270,828,000	6,103	\$ 92,124,207	95	\$ 10,048,969
2000	\$ 275,632,000	6674	\$ 106,765,134	170	\$ 23,427,493
1999	\$ 266,821,000	6,293	\$ 87,076,997	157	\$ 18,818,125
1998	\$ 208,665,000	4,802	\$ 68,916,103	146	\$ 46,445,956
1997	\$ 245,123,000	4,760	\$ 57,812,405	106	\$ 11,187,358
1996	\$ 230,845,000	4,827	\$ 59,565,886	83	\$ 13,914,590
1995	\$ 262,240,000	5,354	\$ 69,070,466	100	\$ 35,056,900
1994	\$ 262,796,000	3,998	\$ 69,608,912	89	\$ 4,747,796

(1) Building Regulation Division.

(2) Bank Deposits for 2003 not available; Federal Deposit Insurance Corporation for 2000-2002; Virginia State Commission, Bureau of Financial Institutions for 1996-1999; Financial Institute Data Exchange for 1994-1995.

Note: Commercial and industrial components of total assessed real property value could not be determined individually.

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

**PRINCIPAL PROPERTY TAXPAYERS FOR THE COUNTY OF YORK, VIRGINIA**

**June 30, 2003**

Taxpayer	Description	2002 Assessed Valuation	Total Tax	Percentage of Total Assessed Valuation
Virginia Power Company	Generating plant	\$ 360,875,689	\$ 3,024,273	5.47 %
Giant Corporation	Refinery	82,221,950	1,608,959	2.91
Lawyers Title Insurance Co.	Fairfield Condominiums	100,672,780	878,129	1.59
City of Newport News	Water system	65,822,400	566,073	1.02
Anheuser Busch Companies	Busch properties	45,641,245	421,844	0.76
Philip Morris Inc.	Manufacturer	14,411,735	291,048	0.53
Verizon Virginia Inc.	Telephone company	25,998,459	223,685	0.40
Virginia Natural Gas	Natural gas company	21,018,890	180,762	0.33
Kiln Creek Shopping Center	Retail sales	19,374,200	166,618	0.30
Kings Creek Plantation	Timeshare Condominiums	18,866,810	164,335	0.30
		<u>\$ 754,904,158</u>	<u>\$ 7,525,726</u>	<u>13.61 %</u>

Source: County of York, Virginia  
Comprehensive Annual Financial Reports fiscal years 1994-2003

## THE YORK COUNTY SCHOOL DIVISION

COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
MISCELLANEOUS STATISTICAL DATA

June 30, 2003

<u>School</u>	<u>ADM (1)</u>	<u>ADA (2)</u>	<u>% of ADM</u>
Bethel Manor Elementary	527	507	96.20%
Coventry Elementary	691	670	96.96%
Dare Elementary	419	401	95.70%
Grafton Bethel Elementary	641	614	95.79%
Magruder Elementary	518	493	95.17%
Mt. Vernon Elementary	580	561	96.72%
Seaford Elementary	494	475	96.15%
Tabb Elementary	614	589	95.93%
Waller Mill Elementary	289	276	95.50%
Yorktown Elementary	433	416	96.07%
Grafton Middle	966	930	96.27%
Queens Lake Middle	491	470	95.72%
Tabb Middle	986	951	96.45%
Yorktown Middle	633	604	95.42%
Bruton High	616	586	95.13%
Grafton High	1,190	1,143	96.05%
Tabb High	1,170	1,124	96.07%
York High	904	861	95.24%
York River Academy	22	21	95.45%
	<u>12,184</u>	<u>11,692</u>	<u>95.96%</u>

(1) Average Daily Membership (unadjusted) by School (2002-2003)

(2) Average Daily Attendance

**THE YORK COUNTY SCHOOL DIVISION****COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
MISCELLANEOUS STATISTICAL DATA**

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**June 30, 2003**

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**Full Time Equivalents by Position**

Board Members	5.00
Bus drivers	129.00
Bus driver assistants	21.00
Cafeteria monitors	3.00
Chief financial officer	1.00
Clerical	71.75
Clerk of the Board	1.00
Clinic aides	2.00
Crossing guards	3.50
Custodians	85.80
Directors	8.25
Food service personnel	95.00
Guidance counselors	33.00
Instructors	10.00
Librarians	18.00
Mechanics	7.00
Nurses	16.00
Occupational therapists	2.00
Physical therapists	1.00
Principals	20.00
Principals (Assistants)	20.00
Psychologists	10.00
Superintendent	1.00
Superintendent (Deputy)	1.00
Superintendent (Assistant)	1.00
Teachers	778.79
Teacher assistants	217.93
Technical	84.57
Trades	25.00
	<hr/>
	1,672.59

**THE YORK COUNTY SCHOOL DIVISION**

**COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA  
MISCELLANEOUS STATISTICAL DATA**

**June 30, 2003**

<u>Fiscal Year</u>	<u>School Facilities</u>	<u>Student Average Daily Membership</u>
1994	16	10,488
1995	16	10,707
1996	16	10,746
1997	18	10,884
1998	18	11,159
1999	18	11,434
2000	18	11,654
2001	18	11,750
2002	18	12,010
2003	19 *	12,184

\* includes York River Academy

<u>Description</u>	<u>Surety Bond Coverage</u>
School Division employee honesty bond	\$ 1,000,000

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## ***COMPLIANCE SECTION***

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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the School Division  
***York County School Division***

We have audited the basic financial statements of the ***York County School Division***, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the ***York County School Division's*** basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the ***York County School Division's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of York County School Division, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Goodman & Company*

Newport News, Virginia  
October 15, 2003

*Fountain Plaza One, 701 Town Center Drive, Suite 700, Newport News, VA 23606-4295  
ph: 757.873.1033 fax: 757.873.1106 [www.goodmanco.com](http://www.goodmanco.com)*

*Members American Institute of Certified Public Accountants*



CPAs / Specialized Services / Financial Planning

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH  
COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS,  
CONTRACTS AND GRANTS**

Members of the School Division  
**York County School Division**

We have audited the basic financial statements of the **York County School Division**, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts and grants applicable to the **York County School Division**, is the responsibility of the School Division's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the **York County School Division's** compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>		<u>State Agency Requirements</u>
Budget and Appropriation Laws	Retirement	Education
Cash and Investments	Procurement	
Conflicts of Interest	Unclaimed Property	

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the **York County School Division** had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the York County School Division, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Goodman & Company*

Newport News, Virginia  
October 15, 2003

*Fountain Plaza One, 701 Town Center Drive, Suite 700, Newport News, VA 23606-4295  
ph: 757.873.1033 fax: 757.873.1106 [www.goodmanco.com](http://www.goodmanco.com)*

*Members American Institute of Certified Public Accountants*

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